

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 2, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Vogel, D. Buys, Mouring) *ALM*
Division of Economics (Draper) *PD*
Division of Engineering (P. Buys, Graves, King) *PD*
Office of the General Counsel (Brownless, Dziechciarz) *PD*

RE: Docket No. 20160251-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Matthew by Florida Power & Light Company.

AGENDA: 07/10/18 – Regular Agenda – Post-hearing–Participation is limited to Commissioners and Commission staff.

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On December 29, 2016, pursuant to Section 366.076(1), Florida Statutes (F.S.), Florida Power & Light Company (FPL) filed its Petition for Limited Proceeding for Recovery of Incremental Storm Restoration Costs Related to Hurricane Matthew. On January 18, 2017, the Office of Public Counsel (OPC) was acknowledged as a party to this case by Order No. PSC-2017-0030-PCO-EI. By Order No. PSC-2017-0055-PCO-EI, issued on February 20, 2017, the Commission approved the requested 2017 Interim Storm Restoration Recovery Charge subject to a final reconciliation of actual Hurricane Matthew storm costs with the amount collected pursuant to the surcharge, and the calculation of a refund or an additional charge, if warranted. On July 12, 2017, the Florida Industrial Power Users Group (FIPUG) was granted intervention by Order No.

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PSC-2017-0269-PCO-EI. On December 15, 2017, Order No. PSC-2017-0471-PCO-EI was issued establishing hearing dates and procedures to be followed in this docket.

On February 20, 2018, FPL filed a Petition for Approval of Final/actual Storm Restoration Costs and Associated True-up Process Related to Hurricane Matthew requesting approval of a final/actual Recoverable Storm Amount of \$316.7 million. The Florida Retail Federation (FRF) was granted intervention in this docket by Order No. PSC-2018-0176-PCO-EI, on April 5, 2018. OPC filed a Motion to Modify Key Activities Dates and Discovery Timeframes on April 18, 2018, which was granted by Order No. PSC-2018-0189-PCO-EI issued on April 19, 2018. Order No. PSC-2018-0245-PHO-EI (Prehearing Order) was issued on May 11, 2018, outlining procedures to be used at the scheduled May 22, 2018 final hearing. On May 15, 2018, FPL filed a Joint Motion for Approval of Settlement Agreement (Joint Motion) requesting that the Settlement Agreement entered into between OPC and FPL dated May 14, 2018, be approved.

As a result of the Settlement Agreement being filed just seven days before the scheduled final hearing in this docket, Order No. PSC-2018-0253-PCO-EI was issued cancelling the May 22, 2018 final hearing and resetting it to June 5, 2018. On May 18, 2018, FIPUG filed a response in opposition to the Settlement Agreement and reaffirmed its Prehearing Statement's litigation positions. On May 22, 2018, FRF filed its response stating that it did not support the proposed Settlement Agreement principally because it was not included in the negotiation process which produced the agreement.

A final hearing was held on June 5, 2018, in which the testimony and exhibits of FPL's witness Eduardo DeVarona and OPC witness Helmuth Schultz were stipulated into the record. FPL's witnesses Manuel B. Miranda, Kim Ousdahl and Tiffany Cohen testified in support of FPL's petition and witnesses Ousdahl and Cohen also gave testimony regarding the terms and conditions of the Settlement Agreement. Commission staff witness Donna Brown testified about her Audit Reports dated December 5, 2017, and April 4, 2018. Thirty two exhibits were admitted into the record. At the close of the hearing, FIPUG requested that it be allowed to brief whether the Settlement Agreement should be approved, as well as the 11 issues identified in the Prehearing Order. On June 20, 2018, FIPUG filed a Notice of Change of Position stating that it would no longer object to the Settlement Agreement but would take no position. Briefs were filed by FPL, OPC and FIPUG on June 28, 2018. FRF, consistent with its representation at the final hearing on June 5, 2018, did not file a brief.

The amount of storm-related revenues collected by FPL's approved interim storm restoration recovery charge is \$322.4 million. The Settlement Agreement allows FPL to recover \$294.759 million in storm costs of which \$20 million is reclassified as capital, \$1.7 million is transferred to base rate O&M expense, and \$5.99 million is an over-collection. FPL will refund \$27.69 million, including interest at the commercial paper rate. This refund will be applied to bills on Cycle Day 1 of the first month that is more than 30 days after Commission approval. The Storm Reserve Level will be restored to \$117.1 million in accord with FPL's 2012 Settlement Agreement.

At this time it is appropriate for the Commission to discuss and vote on whether to approve the May 14, 2018 Stipulation and Settlement Agreement as requested in the Joint Motion for

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Approval of Settlement Agreement. The Joint Motion and Stipulation and Settlement Agreement are attached.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light
Company for Limited Proceeding for Recovery
of Incremental Storm Restoration Costs
Related to Hurricane Matthew

Docket No: 20160251-EI

Date: May 15, 2018

JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

Florida Power & Light Company (“FPL”) and the Office of Public Counsel (“OPC”); collectively, FPL and OPC are the “Signatories”) jointly move the Florida Public Service Commission (“Commission”) to review and approve on an expedited basis the attached Stipulation and Settlement (“Agreement”) as full and complete resolution of all matters pending in Docket No. 20160251-EI (the “Proceedings”) in accordance with Section 120.57(4), Florida Statutes, and to enter a final order reflecting such approval to effectuate implementation of the Agreement. In support of this Joint Motion, the Signatories state:

1. The Signatories have been engaged in negotiations for the purpose of reaching a comprehensive stipulation and settlement of all issues pending in the Proceedings, thereby avoiding the uncertainty associated with the outcome on the issues. These negotiations have culminated in the Agreement attached hereto as Exhibit A. The Signatories request that, following the Commission’s review of this Joint Motion and the Agreement, the Commission grant the Joint Motion and approve the Agreement in order to allow for orderly implementation thereof and provide certainty to the parties and their respective constituents and customers with respect to the outcome of the Proceedings.

2. The Agreement provides, among other things:

- a. The Agreement will become effective upon Commission approval of the Settlement Agreement.

- b. FPL's claimed Recoverable Storm Amount for Hurricane Matthew is \$316.459 million (jurisdictional).
- c. FPL has collected \$322,449,167 pursuant to the authorized interim storm restoration charge.
- d. The Recoverable Storm Amount will be reduced by a total of \$21,700,000, such that the total amount to be recovered from customers is \$294,759,000.
- e. Of the \$21.7 million total reduction:
 - i. \$20 million will be reclassified as capital and added to FPL's retail Plant in Service balance in Account 364.1 - Poles, Towers and Fixtures (Wood), for all surveillance and future rate setting purposes. OPC agrees not to dispute the reasonableness or prudence of this additional \$20 million of capital in any future rate proceeding.
 - ii. \$1.7 million will be transferred to base rate O&M expense in 2018 and reflected as such on FPL's earnings surveillance reports.
- f. FPL will refund to customers \$27,690,167, plus interest at the 30-day commercial paper rate, as a one-time refund, in the manner described in FPL witness Tiffany Cohen's direct testimony filed on February 20, 2018. Exhibit 1 to the Agreement consists of a tariff sheet reflecting the refund. FPL will apply the refund tariff sheet to customer bills for one month of consumption starting no later than Cycle Day 1 of the first month that is more than 30 days after Commission approval.
- g. FPL and OPC agree that nothing in the Agreement will have precedential value.

3. Each of the Signatories agrees that it has entered into the Agreement voluntarily, that it fairly and reasonably balances the various positions of the Parties on issues in these proceedings, and that it serves the best interests of the customers they represent and the public interest in general. The Signatories believe that the Agreement is reasonable and in the public interest for several reasons, including the following:

- a. The Agreement would provide for a reasonable recovery by FPL of incremental Hurricane Matthew storm restoration costs.
- b. As a result of this settlement, FPL's customers will be refunded \$27,690,167, plus interest, as a one-time refund starting no later than Cycle Day 1 of the first month that is more than 30 days after Commission approval.

4. For these reasons, approving the Agreement is fully consistent with the Commission's long-standing policy of encouraging the settlement of contested proceedings in a manner that benefits the customers of utilities subject to the Commission's regulatory jurisdiction.

5. The Signatories to the Agreement request that the Commission rule on this Joint Motion for Approval of Settlement Agreement as soon as possible, so that FPL may implement the refund promptly.

6. FPL is authorized to represent that the Intervenors, FRF and FIPUG, take no position at this time and reserve the right to file a response within the time allowed by Rule 28-106.204(1), F.A.C.

WHEREFORE, FPL and OPC respectfully request that the Commission approve the Stipulation and Settlement attached hereto as Exhibit A.

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Date: July 2, 2018

Respectfully submitted,

R. Wade Litchfield, Vice President and
General Counsel
John T. Butler, Assistant General Counsel-
Regulatory
Kenneth M. Rubin, Senior Counsel
Kevin I.C. Donaldson, Senior Attorney
700 Universe Boulevard
Juno Beach, Florida 33408-0420
*Attorneys for Florida Power & Light
Company*

J. R. Kelly, Public Counsel
Patricia A. Christensen
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
*Attorneys for the Citizens
of the State of Florida*

By: *s/ R. Wade Litchfield*

By: *s/ J.R. Kelly*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished
by electronic mail this 15th day of May, 2018, to the following parties:

Suzanne Brownless
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-1400
sbrownle@psc.state.fl.us
Office of the General Counsel
Florida Public Service Commission

Jon C. Moyle, Jr.
Karen A. Putnal
Moyle Law Firm, PA
118 North Gadsden Street
Tallahassee, FL 32301
jmoyle@moylelaw.com
kputnal@moylelaw.com
Attorneys for Florida Industrial
Power Users Group

Robert Scheffel Wright
John T. Lavia, III
Gardner, Bist, Bowden, Bush, Dee, LaVia &
Wright, P.A.
1300 Thomaswood Drive
Tallahassee, FL 32308
schef@gbwlegal.com
jlavia@gbwlegal.com
Attorneys for Florida Retail Federation

By: s/ R. Wade Litchfield
R. Wade Litchfield

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light
Company for Limited Proceeding for Recovery
of Incremental Storm Restoration Costs
Related to Hurricane Matthew

Docket No: 20160251-EI

Date: May 14, 2018

STIPULATION AND SETTLEMENT

WHEREAS, Florida Power & Light Company ("FPL" or the "Company") and the Office of Public Counsel ("OPC") have signed this Stipulation and Settlement (the "Agreement"; unless the context clearly requires otherwise, the term "Signatory" or "Signatories" means a signatory to this Agreement); and

WHEREAS, FPL incurred significant costs to enable the rapid restoration of electric service to its customers in connection with Hurricane Matthew; and

WHEREAS, on December 29, 2016, FPL petitioned the Florida Public Service Commission ("Commission") for a limited proceeding for recovery of incremental storm restoration costs related to Hurricane Matthew pursuant to the Revised Stipulation and Settlement Agreement approved by Commission in Order No PSC-13-0023-S-EI¹; and

WHEREAS, on February 20, 2017, the Commission entered Order No. PSC-17-0055-PCO-EI approving FPL's interim storm restoration recovery charge of \$3.36 on a monthly 1,000 kWh residential bill effective March 1, 2017, to remain in effect for a 12-month period; and

WHEREAS, FPL has filed direct and rebuttal testimony and exhibits, and OPC has filed testimony and exhibits reflecting competing positions on cost recovery issues in this docket; and

¹ Docket No. 120015-EI, issued on January 14, 2013.

EXHIBIT A

WHEREAS, on March 15, 2018, FPL filed the Supplemental Exhibit TCC-1 of Tiffany Cohen reflecting total collections of \$322,449,167 pursuant to the authorized interim storm restoration recovery charge; and

WHEREAS, on May 2, 2018, FPL filed Exhibit KO-2 (Corrected) of Kim Ousdahl reflecting Total System Storm Losses to be Recovered from Customers ("Recoverable Storm Amount") of \$316,459,000 (jurisdictional); and

WHEREAS, the Signatories have entered into this Agreement in compromise of positions taken in accord with their rights and interests under Chapters 350, 366 and 120, Florida Statutes, as applicable, and as a part of the negotiated exchange of consideration among the Signatories to this Agreement each has agreed to concessions to the others with the expectation that all provisions of the Agreement will be enforced by the Commission as to all matters addressed herein with respect to the Signatories, upon acceptance of the Agreement as provided herein and upon approval in the public interest;

NOW THEREFORE, in consideration of the foregoing and the covenants contained herein, the Signatories hereby stipulate and agree:

1. This Agreement will become effective upon Commission approval (the "Implementation Date").
2. The Recoverable Storm Amount of \$316,459,000 (jurisdictional) will be reduced by a total of \$21,700,000 (the "Reduction"), such that the total amount to be recovered from customers (the "Reduced Recoverable Storm Amount") is \$294,759,000.
3. \$20 million of the Reduction will be reclassified as capital and added to FPL's retail Plant in Service balance in Account 364.1 - Poles, Towers and Fixtures (Wood), for all surveillance and future rate setting purposes. OPC agrees not to dispute the

reasonableness or prudence of this additional \$20 million of capital in any future rate proceeding.

4. The remaining \$1.7 million of the Reduction will be transferred to base rate O&M expense in 2018 and reflected as such on FPL's earnings surveillance reports.
5. FPL will refund to customers \$27,690,167, plus interest at the 30-day commercial paper rate, as a one-time refund, in the manner described in FPL Witness Tiffany Cohen's direct testimony filed on February 20, 2018. Attached as Exhibit 1 to this Agreement is a tariff sheet reflecting the revised base rates that will be applied in order to effect the refund.
6. FPL will apply the refund tariff sheet in Exhibit 1 to customer bills for one month of consumption starting no later than Cycle Day 1 of the first month that is more than 30 days after Commission approval.
7. The provisions of this Agreement are contingent upon approval of this Agreement in its entirety without modification. The Signatories agree that approval of this Agreement is in the public interest. No Signatory agrees, concedes or waives any position with respect to any of the issues identified in the Prehearing Order and this settlement does not specifically address any such issue. The Signatories will support approval of the Agreement and will not request or support any order, relief, outcome or result in conflict with it. No Signatory to the Agreement will request, support or seek to impose a change to any provision of the Agreement. Approval of the Agreement in its entirety will resolve all matters and issues in this docket. This docket will be closed effective on the date the Commission Order approving this


Agreement is final, and no Signatory shall seek appellate review of any order issued in this docket.

8. The resolutions contained herein are consistent with the applicable terms of the 2012 Settlement Agreement approved by Order No PSC-13-0023-S-EI.
9. The Signatories agree that nothing in this Agreement shall have any precedential value.
10. This Agreement may be executed in counterpart originals, and a scanned .pdf copy of an original signature shall be deemed an original. Any person or entity that executes a signature page to this Agreement shall become and be deemed a Signatory with the full range of rights and responsibilities provided hereunder, notwithstanding that such person or entity is not listed in the first recital above and executes the signature page subsequent to the date of this Agreement, it being expressly understood that the addition of any such additional Signatory(ies) shall not disturb or diminish the benefits of this Agreement to any current Signatory.

In Witness Whereof, the Signatories evidence their acceptance and agreement with the provisions of this Agreement by their signature.

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Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408

By: 
Eric E. Silagy
FPL President & CEO

Docket No. 20160251-EI
Date: July 2, 2018

Office of Public Counsel
J.R. Kelly
The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

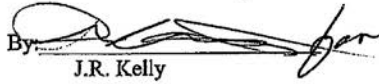
By: 
J.R. Kelly

EXHIBIT 1

**Third Revised Tariff Sheet No. 8.042
2018 Interim Storm Restoration Recovery Refund**

FLORIDA POWER & LIGHT COMPANY

Third Revised Sheet No. 8.042
 Cancels Second Sheet No. 8.042

2018 Interim Storm Restoration Recovery Refund

The following reductions are applied to the Monthly Rate of each rate schedule as indicated and are calculated in accordance with the formula specified by the Florida Public Service Commission. The 2018 Interim Storm Restoration Recovery Refund shall be applied for a period of one (1) month from the effective date of this tariff.

<u>Rate Schedule</u>	<u>¢/kWh</u>
ALL KWH -- RS-1, RTR-1	(0.318)
GS-1, GST-1	(0.295)
GSD-1, GSDT-1, HLTF-1, SDTR-1	(0.222)
GSLD-1, GSLDT-1, CS-1, CST-1, HLFT-2, SDTR-2	(0.257)
GSLD-2, GSLDT-2, CS-2, CST-2, HLFT-3, SDTR-3	(0.184)
GSLD-3, GSLDT-3, CS-3, CST-3	(0.079)
OS-2	(1.354)
MET	(0.235)
CILC-1(G)	(0.375)
CILC-1(D)	(0.201)
CILC-1(T)	(0.062)
SL-1, SL-1M, PL-1	(1.853)
OL-1	(1.661)
SL-2, SL-2M, GSCU-1	(0.133)
SST-1(T), ISST-1(T)	(0.046)
SST-1(D1), SST-1(D2) SST-1(D3), ISST-1(D)	(1.269)

Issued by: Tiffany Cohen, Director, Rates and Tariffs
 Effective: